



Information Partners Can Use on:

EXPLAINING MEDICARE PRESCRIPTION DRUG COVERAGE

to People With Coverage Through an Employer or Union

As of August 11, 2005

***Note:** This information is intended to help benefits managers, plan administrators, and other employer/union partners and stakeholders explain how Medicare prescription drug coverage will work for their employees and retirees with Medicare.*

Medicare Prescription Drug Coverage Is Coming

Starting January 1, 2006, everyone with Medicare will be eligible for prescription drug coverage. Approximately 11.4 million people with Medicare currently get drug coverage through an employer or union plan. Medicare is working with plan sponsors to offer a variety of options for people who already have prescription drug coverage through an employer or union.

Because employers and unions can work with Medicare prescription drug coverage in several different ways, Medicare will tell all people with employer or union coverage to check with their benefits administrator before making any decisions about whether to join a Medicare Prescription Drug Plan.

Your Important Role As Educator

As your employees and retirees begin hearing about Medicare prescription drug coverage, they're probably going to have questions and concerns about how Medicare prescription drug coverage will affect their existing benefits. It's very important that employee benefit managers, plan administrators and other human resources personnel be prepared to provide information to employees and retirees with Medicare about their new choices and options, and be able to refer them to the appropriate sources when necessary.

Features of Standard Medicare Prescription Drug Coverage

For people who choose to enroll in Medicare prescription drug coverage, coverage will be provided through Medicare Prescription Drug Plans, Medicare Advantage Plans, and other health plans that include Medicare prescription drug coverage.

Standard Medicare prescription drug coverage is structured as follows:

- Monthly premium of around \$32 (in 2006)
- \$250 deductible
- From \$251 to \$2,250, Medicare pays 75% of drug costs and plan enrollee pays 25%
- From \$2,251, plan enrollee pays 100% until true out-of-pocket spending reaches \$3,600
- After plan enrollee reaches \$3,600 in true out-of-pocket spending, Medicare pays about 95% of drug costs

All Medicare Prescription Drug Plans will cover both brand-name and generic drugs. Some plans may offer enhanced coverage for an additional premium.

People With Employer or Union Coverage Have a Decision to Make

Enrollment in Medicare Prescription Drug Plans begins on November 15, 2005. People with Medicare will need to decide by May 15, 2006 whether to join a Medicare Prescription Drug Plan.

After May 15, 2006, most people will pay a penalty (a higher premium) for their Medicare prescription drug coverage if they go more than 63 continuous days without "creditable prescription drug coverage" (that is, coverage that was expected to pay out, on average, at least as much as standard Medicare prescription drug coverage) from another source (such as an employer or union drug plan). They may also have to wait to enroll until the following November.

It is the plan sponsor's responsibility to notify their members who are eligible for Medicare prescription drug coverage—including active workers, retirees and their dependents—whether their current coverage is creditable by November 15, 2005. Plan sponsors can incorporate this creditable coverage notification into other plan communications.

Extra Help for People With Limited Incomes and Resources

People with limited income and resources can get extra help paying for Medicare prescription drug coverage. People with incomes below \$14,355 (or \$19,245 for people who are married and living with their spouse) may qualify to join a Medicare Prescription Drug Plan and pay little or nothing out of pocket. These amounts may be higher for people who provide at least half of the support of other relatives living in their household, people who reside in Alaska and Hawaii, or people who are working. People who have coverage through an employer or union can still be eligible for this extra help.

This is a potentially valuable benefit, but people will need to compare their options to determine what coverage will best meet their needs. Employee benefit managers will need to be prepared to help people who are eligible for this extra help compare the cost and coverage provided by their retiree coverage, with the cost and coverage they would get from a Medicare Prescription Drug Plan. People who are eligible for extra help will also need to understand how any other employment-related health coverage they have may be affected if they enroll in a Medicare Prescription Drug Plan.

Automatic and Facilitated Enrollment

People who have both Medicare and Medicaid are automatically eligible to receive extra help. If people with Medicare and Medicaid do not enroll in a Medicare Prescription Drug Plan on their own by December 31, 2005, Medicare will enroll them in a plan, even if they also have prescription drug coverage through an employer or union. This way, they will not lose a day of prescription drug coverage once their Medicaid drug coverage ends on December 31, 2005.

Medicare will enroll other people who are eligible for the extra help in a Medicare Prescription Drug Plan in the spring of 2006, if they have not already enrolled in a plan themselves. If people who are in a Medicare Savings Program (MSP), get Supplemental Security Income (SSI), or apply and qualify for extra help do not enroll in a Medicare Prescription Drug Plan on their own by May 15, 2006, Medicare will enroll them in a plan effective June 1, 2006 to make sure they get help paying for their prescription drugs.

However, people who are in an MSP, get SSI, or who applied and qualified for the extra help will **NOT** be enrolled in a Medicare Prescription Drug Plan in the spring if they also have prescription drug coverage through an employer or union who is claiming them for the Retiree Drug Subsidy. These people must enroll in a plan on their own if they want Medicare prescription drug coverage. Medicare wanted to give the employer coverage precedence for these people, since they will not be losing prescription drug coverage like those who have both Medicare and Medicaid.

Resources to Help You Talk to Retirees and Employees

Medicare wants to help you help your employees and retirees get ready. Visit our CMS Partners Center for materials, language and publications you can use to help explain Medicare prescription drug coverage issues:

www.cms.hhs.gov/partnerships/news/mma/default.asp

Technical Resources

Employer and union plan sponsors have multiple options for working with Medicare to continue to offer prescription drug coverage, but must make some basic decisions soon if they want to take advantage of potential savings. For more information about plan sponsor options and operational guidance, visit www.cms.hhs.gov/medicarereform/pdbma/employer.asp to access the following:

- The statute, regulations and additional guidance relating to employer/union coverage
- Information about creditable coverage disclosures
- Educational materials to help you decide what options to consider
- Frequently asked questions and answers
- A link to subscribe to email notification of new developments
- A link to the Retiree Drug Subsidy Center at rds.cms.hhs.gov

Important Dates for People With Medicare Who Have Coverage Through an Employer or Union

October 1, 2005

- Medicare Prescription Drug Plans can begin marketing to people with Medicare

November 15, 2005

- Deadline for plan sponsors to give creditable coverage disclosure to employees/retirees
- Medicare Prescription Drug Plan Enrollment begins

January 1, 2006

- Medicare prescription drug coverage begins

May 15, 2006

- Last day to enroll in a Medicare Prescription Drug Plan and not pay a penalty for those without creditable coverage